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INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

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INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 USIA-15 PC-10 CU-04

DEAE-00 SNM-02 SIL-01 LAB-06 IGA-02 SPM-01 HEW-08

ABF-01 CG-00 FMC-04 DOTE-00 /202 R

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TO AMEMBASSY CARACAS PRIORITY

C O N F I D E N T I A L STATE 068302

E.O. 11652: 11652 GDS

TAGS: PFOR, VE

SUBJECT: VENEZUELA PRE-IG REVIEW OF CASP

SUMMARY: PRE-IG MET MARCH 28 TO REVIEW VENEZUELAN CASP. COUNTRY DIRECTOR DEVINE CHAIRED MEETING. PRINCIPAL TOPICS OF DISCUSSION AT PRE-IG WERE: OVERVIEW; ISSUE OF BILATERAL ENERGY AGREEMENT IN VIEW USG NEAR-TERM COMMITMENT TO MULTI-LATERAL APPROACH TO MEET ENERGY REQUIREMENTS; NEW AFFLUENT STATUS OF VENEZUELA AS POTENTIAL ASSISTANCE DONOR; LEVEL OF RESOURCES PROPOSED FOR SECURITY ASSISTANCE, CU, NARCOTICS, STATE EXPENSES, USIS, AID AND THE PEACE CORPS; AND VENEZUELA'S ROLE IN OUR REVITALIZED SPECIAL RELATIONSHIP WITH LATIN AMERICA AND THE CARIBBEAN. PRE-IG CONSENSUS WAS TO RECOMMEND APPROVAL OF CASP BY THE IG, SUBJECT

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TO SEVERAL MODIFICATIONS, MOST IMPORTANT OF WHICH ARE NOTED

BELOW. END SUMMARY.

1. IN OPENING REMARKS, CHAIRMAN NOTED HIGH-QUALITY CASP WAS PREPARED DURING UNCERTAIN ELECTORAL PERIOD AND REVIEWED VENEZUELA'S POLITICAL, SOCIAL AND ECONOMIC REALITIES, ITS LEADERSHIP ROLE IN ANDEAN PACT, CARIBBEAN AND GLOBAL ARENAS.

2. DEPUTY DIRECTOR JOHNSON NOTED PHASE-OUT OF BILATERAL AID ACTIVITIES, CONTINUING REGIONALLY-FUNDED AIFLD AND POPULATION PROGRAMS, AND POSSIBILITY OF CONTINUING PUBLIC SAFETY ON A REIMBURSABLE BASIS.

3. CASP OVERVIEW:

(A) PRE-IG NOTED THAT OVERVIEW DID NOT COMMENT ON ADEQUACY OF OVERALL US MISSION STAFFING AS REQUESTED IN JANUARY LETTER TO CHIEF OF MISSION FROM EXECUTIVE CHAIRMAN IG/ARA KUBISCH. COMMENT ON THIS POINT IS INVITED.

(B) PRE-IG NOTED THAT BECAUSE OF ROLE WE ENVISION VENEZUELA PLAYING AS IMPORTANT FACTOR IN OUR REVITALIZED SPECIAL RELATIONSHIP WITH LATIN AMERICA AND CARIBBEAN, SOME MENTION IN OVERVIEW MIGHT BE MADE ON US STRATEGY IN THIS REGARD.

4. ISSUES:

(A) ENERGY - PRE-IG NOTED WORLD OIL PICTURE CHANGED DRAMATICALLY OVER PAST YEAR, OBSERVING THAT LAST YEAR'S RATIONALE FOR IG DECISION TO APPROVE NEGOTIATION OF BILATERAL ENERGY AGREEMENT MAY NO LONGER OBTAIN. PRE-IG CONSENSUS WAS THAT EMBASSY RECOMMENDATION ON BILATERAL AGREEMENT BE HELD IN ABEYANCE, IN PART BECAUSE CURRENT POLICY COMMITS US TO MULTILATERAL APPROACH AS REGARDS ENERGY. LIKEWISE, COMPLETION REVIEW OF PROJECT INDEPENDENCE MUST BE AWAITED TO CONSIDER ITS IMPLICATIONS FOR ANY USG DECISION ON INVOLVEMENT IN THE ORINOCO. PRE-IG TOOK VIEW THAT USG LIMITED IN ABILITY TO RESPOND FAVORABLY TO POSSIBLE GOV DEMANDS FOR TRADE PREFERENCES AND SUPPLY ASSURANCES IN TIMES OF SHORTAGES, ETC. AND WE DO NOT YET

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KNOW PRECISELY WHAT GOV MAY DESIRE AS QUID-PRO-QUO IN CONSIDERING BILATERAL ENERGY AGREEMENT NOR SHOULD WE UNDERTAKE HASTY INITIATIVES TO RAISE THIS SUBJECT. GROUP FURTHER NOTED WE CANNOT BE OBLIVIOUS TO OUTCOME REVERSION ISSUE AND POSSIBLE NEGATIVE REACTION OF US CONGRESS AND PUBLIC TO QUOTE NATIONALIZATION UNQUOTE. FSE AND NC WILL REVISE LANGUAGE FOR MAJOR ISSUE AND SUBMIT FOR EMBASSY CONSIDERATION AND COMMENT IN SEPTTEL. (FYI: COUNTRY

DIRECTOR EXPLAINED THAT CASP PREPARED PRIOR TO WASHINGTON ENERGY ACTION CONFERENCE.)

(B) DEVELOPMENT ASSISTANCE: DONOR/RECIPIENT ROLE - MAJOR TOPIC OF DISCUSSION AT PRE-IG (ISSUE NOT ADDRESSED IN CASP) WAS US POSTURE TOWARD CONTINUED VENEZUELAN ACCESS TO SOFT-TERM IDB LOANS AND HOW TO ENCOURAGE TRANSITION OF VENEZUELA TO A DEVELOPMENT ASSISTANCE DONOR DURING THE PLANNING PERIOD, PARTICULARLY IN IDB CONTEXT. SINCE VENEZUELAN INITIATIVE EXPECTED AT IDB BOARD MEETING IN SANTIAGO, PRE-IG MADE NO SPECIFIC RECOMMENDATION TO IG. GENERAL CONSENSUS WAS THAT FURTHER IDB-FSO LENDING TO

VENEZUELA NOT WARRANTED AT THIS TIME, THOUGH GOV SHOULD CONTINUE TO HAVE ACCESS TO IDB-ORDINARY CAPITAL FACILITY. EMBASSY COMMENTS ARE REQUESTED AS SUBJECT MUST BE PRESENTED FOR IG CONSIDERATION. SPECIFIC FRAMING OF ISSUE WILL, IN PART, DEPEND ON VENEZUELAN INITIATIVES IN SANTIAGO.

5. RESOURCE LEVELS: SEVERAL FACTORS, AMONG THEM APPROPRIATE CONCERN FOR US TAX DOLLAR AND RECOGNITION VENEZUELA'S NEW AFFLUENCE IN TERMS OF SUCH INDICATORS AS REVENUE FLOW, PER CAPITA INCOME AND INTERNATIONAL RESERVE LEVEL REQUIRE CAREFUL LOOK AT PERSONNEL AND RESOURCE LEVELS IN TABLES ATTACHED TO CASP. HAVING ABOVE FACTORS IN MIND PLUS COMPARABLE DEGREE NEED FOR US RESOURCES IN COUNTRIES LESS WELL ENDOWED, IT BECOMES IMPORTANT TO ESTABLISH PRIORITIES CAREFULLY RATHER THAN THINK AUTOMATICALLY IN TERMS OF ADD-ON.

(A) FMS CREDIT. IN VIEW OF US POLICY OF QUOTE EVEN-HANDEDNESS UNQUOTE TOWARD VENEZUELA AND COLOMBIA, FMS CONFIDENTIAL

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CREDIT LEVELS FOR FYS 1975 AND 1976 WERE RECOMMENDED AT 15 MILLION FOR EACH YEAR. COMMENT REQUESTED. EMBASSY EXPLANATION ALSO INVITED AS TO RATIONALE FOR SHARPLY HIGHER MAP-T LEVELS DURING FYS 75 AND 76.

(B) MILGRP STAFFING - DOD RESERVED POSITION ON MILGRP STAFFING LEVEL (TABLE 2 TO ANNEX A) ON BASIS THAT STAFFING UNDER REVIEW, AND PRELIMINARY INDICATION THAT IT MAY RECOMMEND CUTS BEYOND THOSE INDICATED IN CASP.

(C) CULTURAL PROGRAM (CU) - CONSIDERING VENEZUELA'S FINANCIAL BONANZA, RELATIVELY HIGH LEVEL PRIVATELY-FINANCED TRAVEL AND INTERCHANGE, AND ADVENT OF NEW, PRESUMABLY FRIENDLIER GOVERNMENT, PRE-IG REQUESTED JUSTIFICATION FOR SHARP INCREASES OVER CURRENT PROGRAM LEVEL.

(D) USIS - PRE-IG NOTED TABLES 1 AND 2 TO ANNEX A INDICATE SHARP INCREASE IN PAO RESOURCE AND MANPOWER REQUIREMENTS DURING CASP BIENNIUM. IN VIEW ALREADY GENEROUS STAFFING, REQUEST CT PROVIDE JUSTIFICATION FOR INCREASED REQUIREMENTS.

(E) PEACE CORPS - PRE-IG RAISED CONSIDERATION AS PER 5 (C) ABOVE REGARDING INCREASE IN PEACE CORPS FUNDING AND NUMBER PCV'S IN RELATIVELY AFFLUENT VENEZUELA DURING FY 73 TO FY 75. PEACE CORPS SPOKESMAN OBSERVED THAT ACTUAL NUMBER OF VOLUNTEERS IN FY 74 WILL BE 230, INCREASING TO 265 FOR FYS 75 AND 76. REQUEST EMBASSY COMMENT AS TO CONTINUING JUSTIFICATION FOR PEACE CORPS PRESENCE THIS

MAGNITUDE IN VENEZUELA AND CONFIRMING REQUIREMENTS FOR PCV FUNDING AT LEVEL SHOWN.

(F) DEA - QUESTION AROSE RE FOUR DEA PERSONNEL SHOWN IN FY 73 AND TO EXPLAIN INCREASE TO SIX IN FYS 75 AND 76. ADDITIONALLY, PRE-IG REQUESTS RATIONALE AND JUSTIFICATION FOR DEA BUDGET INCREASE FROM 82 THOUSAND IN FY 74 TO 352 THOUSAND IN FY 75 AND 76.

(G) AID - NARCOTICS: PRE-IG INQUIRED WHY AID NARCOTICS PROGRAM INCREASES FROM 48
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